



MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Violet Varona-Lukens, Executive Officer
Clerk of the Board of Supervisors
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

Chief Administrative Officer
County Counsel
Director of Health Services

At its meeting held February 3, 2004, the Board took the following action:

61-A, 61-D and 61-F

The following items were called up for consideration:

Agenda No. 61-A

Supervisor Antonovich's recommendation to direct the Director of Health Services' Emergency Medical Services Agency to meet with Tenet Healthcare Corporation to discuss its strategic plan and create an ongoing communication plan as Tenet Healthcare Corporation implements its plans to divest its 14 hospitals; also direct the Emergency Medical Services Agency to contact the Orange County Emergency Medical Services Agency to collaborate, analyze and determine the impact of the Region; and direct the Emergency Medical Services Commission to evaluate the impact of the potential closure of the 14 Tenet hospitals.

Agenda No. 61-D

Supervisor Burke's recommendation to instruct the Director of Health Services' Emergency Medical Services Agency to evaluate the impact on access to hospital services in the County, as a result of Tenet Healthcare Corporation's proposal to seek buyers for 27 of its hospitals across the country, which include 14 in Los Angeles County, and specifically address the emergency room closure restrictions in the Tenet purchase agreements; instruct the Director of Health Services and County Counsel to consult with the State Attorney General to review the agreements associated with Tenet's purchase of Centinela, Daniel Freeman Memorial and Daniel Freeman Marina Hospitals, and other affected hospitals, and evaluate the terms of these agreements and the potential impact of Tenet's move to sell these facilities and report back to the Board within two weeks, and address the subsequent court ruling regarding Daniel Freeman Marina Hospital.

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Agenda No. 61-F

Supervisor Yaroslavsky's recommendation that the Board make a finding that the decision by Tenet Healthcare Corporation to divest 27 hospitals, including 14 within Los Angeles County, is a matter of major consequence to the people of Los Angeles County; and approve the following related matters:

Instruct the Director of Health Services to arrange a hearing or hearings by the Emergency Medical Services Commission on the subject of the Tenet divestiture plan, to be scheduled on an urgent basis, and invite representatives from Tenet Healthcare Corporation and other appropriate stakeholder groups to participate in the hearings;

Instruct the Director of Health Services to immediately initiate a comprehensive analysis, to be completed within 90 days, of the potential impact of the Tenet divestiture plan on the County's health care system, including emergency services, on the broader health care industry, including disproportionate share hospitals, and on the communities served by each Tenet hospital; and

Send a five-signature letter to the State Attorney General, informing him of the Board's concerns regarding the Tenet divestiture plan and requesting his participation in reviewing the Tenet plan and ensuring that all of Tenet's legal obligations to the people of California are met.

The following statement was entered into the record for Supervisor Antonovich (61-A):

"On January 28, 2004, Tenet Healthcare Corporation announced its plan to restructure the operations of 69 acute care hospitals in 13 states, of which 14 are located in Los Angeles County. Tenet plans to seek buyers for hospitals located in Culver City, Inglewood, Huntington Park, Marina del Rey, Encino, Tarzana, Monterey Park, South El Monte, Los Angeles, and Whittier. In addition, Tenet plans to sell four major hospitals in our neighboring Orange County.

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61-A, 61-D and 61-F (Continued)

“The impending deficit of Los Angeles County’s frail health care system has left it bleeding. Tenet’s decision to sell the 14 hospitals that have emergency rooms will catastrophically affect Los Angeles County; we need to prevent a bleeding meltdown.

“I therefore recommend that the Board of Supervisors direct the Emergency Medical Services Agency to meet with Tenet to discuss its strategic plan and create an ongoing communication plan as Tenet implements its plans to divest its 14 hospitals; direct the Emergency Medical System Agency to contact the Orange County Emergency Medical System Agency to collaborate, analyze, and determine the impact of the Region; and direct the Emergency Medical Services Commission to evaluate the impact of the potential closure of the 14 Tenet hospitals.”

Supervisor Antonovich made the following additional statement (61-A):

“The Orange County Board of Supervisors expressed concern about Tenet’s decision to sell hospitals in California due to the hospital seismic requirements (SB 1953).

“I therefore recommend that the Board of Supervisors direct the Chief Administrative Officer to work with the Orange County’s Chief Administrative Office to draft a joint letter for Los Angeles and Orange Counties’ Boards of Supervisors signatures to request the State Legislature and the Governor to address the unfunded mandate of hospital seismic requirements (SB 1953).”

Dr. Thomas Garthwaite, Director of Health Services, Carol Gunter, Acting Director, Emergency Medical Services Agency, Jim Lott, representing the Hospital Association of Southern California, Julie Inouye representing Save Our Marina Hospital and We Care, Merritt Holloway and Genevieve Clavreul addressed the Board.

Supervisor Knabe made the following statement (61-A):

“My concern and my questions are these: How much larger is this problem than just Tenet’s hospitals? How many more potentially explosive threats are out there? The same seismic upgrade expense and skyrocketing operational costs that leads Tenet to sell or even close 14 local hospitals affects each and every one of more than 100 other hospitals in the County. As the local government responsible for systems of emergency and indigent care, the County needs to know.”

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Supervisor Knabe made a suggestion that Supervisor Antonovich's foregoing recommendations be amended to add that the Board also direct the Health Services' Emergency Medical Services Agency and the Emergency Medical Services Commission to provide a second report, within 120 days, on the numbers of additional hospitals with emergency rooms which are believed to be at substantial risk of sale or closure due to Senate Bill 1953 seismic upgrade requirements and skyrocketing operational costs, with report to assess the potential additional impact, locally and regionally, on the availability of emergency and indigent care; not name or enable the identification of individual hospitals but summarize the results by major geographic subdivisions such as Service Planning Areas; and recommend actions the County may take to mitigate the impact.

The following statement was entered into the record for Supervisor Burke (61-D):

"This week, Tenet Healthcare Corporation announced a major restructuring of its operations and has stated that they will seek buyers for 27 hospitals across the country, including 19 in California. Of the 14 that are located in Los Angeles County, five are in the 2nd District. These hospitals – Centinela Hospital Medical Center, Brotman Medical Center, Daniel Freeman Marina, Daniel Freeman Memorial Hospital, and Midway Hospital Medical Center – together have 1,539 inpatient beds that serve the community. The effect on the community that would result if these hospitals were closed is extremely troubling.

"The potential impact of Tenet's restructuring a proposed sale of these hospitals on the County is significant. Not only do these hospitals provide necessary medical care to a part of the County that has fewer resources than other areas, but they also provide jobs to thousands of residents in the community.

"Tenet's recent purchase of several of these hospitals has resulted in agreements with the State Attorney General's office to ensure continued services at the facilities. I think these agreements, and Tenet's responsibilities under them, need to be examined to ensure that access to care is not negatively impacted.

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61-A, 61-D and 61-F (Continued)

"I therefore recommend that the Board of Supervisors direct the Department of Health Services' Emergency Medical Services Agency to evaluate the impact of Tenet's proposal on access to hospital services in the County. Specifically address the Emergency Room closure restrictions in the Tenet purchase agreements.

"I further recommend that the Board of Supervisors instruct the Director of Health Services and County Counsel to consult with the State Attorney General to review the agreements associated with Tenet's purchase of Centinela, Daniel Freeman Memorial and Daniel Freeman Marina Hospitals, and other affected hospitals, and evaluate the terms of these agreements and the potential impact of Tenet's move to sell these facilities and report back in two weeks. Also address the subsequent court ruling regarding Daniel Freeman Marina Hospital."

The following statement was entered into the record for Supervisor Yaroslavsky (61-F):

"On January 28, 2004, Tenet Healthcare Corporation announced its decision to sell 27 hospitals of its national hospital inventory. Among the hospitals to be sold, 19 are located in California, and among these, 14 are located in Los Angeles County. The total capacity of the hospitals in Los Angeles County exceeds 3,100 beds. All but two of these hospitals operate emergency rooms, some of which are among the most important emergency medical centers in the County in terms of volume and location. Several of these hospitals are disproportionate share hospitals, serving a high percentage of low income and uninsured patients.

"Tenet has cited a variety of reasons for the decision to sell these hospitals, including future financial projections. A prominent reason for the sale is the \$1.6 billion projected cost of upgrading the physical condition of Tenet hospitals to meet California earthquake standards by 2008. Tenet has indicated that the divestiture of these hospitals will be substantially complete by the end of 2004.

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“This means that Tenet expects to consummate the sale of 14 hospitals in Los Angeles County (and 13 hospitals elsewhere) within less than a 12-month period. Despite Tenet’s optimism, achievement of this objective is questionable. Under the best of circumstances, the sale of even one hospital and completion of the transaction in a twelve-month time-span is an ambitious undertaking. Given today’s uncertain environment for health care finance, coupled with costly seismic safety requirements facing all California hospital operators, potential buyers may be hard to find.

“Nonetheless, Tenet is clearly going forward and apparently intends to dispose of all these hospitals during the current year. But even if each and every one is successfully transferred to a new hospital operator, there is no assurance that existing hospital services, such as emergency medical care, will be maintained under the new owners. The loss of even a portion of these hospitals or hospital services could threaten health care access for major segments of Los Angeles County’s population, including low-income residents served by public and private disproportionate share hospitals.

“The decision by Tenet to divest these hospitals is clearly a business decision on its part to address the financial threats to its own system and improve its overall financial condition. At the same time, given Tenet’s large share of hospitals in Southern California, this decision will have far-reaching implications affecting the general health and welfare of the people of this region.

“For this reason, it is imperative that government leaders representing communities in the affected areas turn their attention to this very important development. The Board of Supervisors should act to assure that all necessary measures are taken to preserve health care access and minimize any problems this decision may pose to the health care system and the health of the population.

“I therefore recommend that the Board find that the decision by Tenet Healthcare Corporation to divest 27 hospitals, including 14 in Los Angeles County, is a matter of major consequence to the people of Los Angeles County;

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“I further recommend that the Board instruct the Director of Health Services to arrange a hearing or hearings by the Emergency Medical Services Commission on the subject of the Tenet divestiture plan; that such hearings be scheduled on an urgent basis; and that representatives from Tenet Corporation and other appropriate stakeholder groups be invited to participate in the hearings.

“I further recommend that the Board instruct the Director of Health Services to initiate immediately a comprehensive analysis, to be completed in 90 days, of the potential impact of the Tenet divestiture plan on the County’s health care system, including emergency services, on the broader health care industry (including disproportionate share hospitals), and on the communities served by each Tenet hospital.

“I further recommend that the Board instruct the Executive Officer to prepare a five-signature letter to the State Attorney General, informing him of the Board’s concerns regarding the Tenet divestiture plan and requesting his participation in reviewing the Tenet plan and ensuring that all of Tenet’s legal obligations to the people of California are met.”

The Chairman ordered the Executive Officer of the Board to consolidate the aforementioned recommendations to eliminate any duplication in the instructions.

After discussion, on motion of Supervisor Antonovich, seconded by Supervisor Knabe, unanimously carried, the Board took the following actions:

1. Made a finding that the decision by Tenet Healthcare Corporation to divest 27 hospitals, including 14 within Los Angeles County, is a matter of major consequence to the people of Los Angeles County;

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61-A, 61-D and 61-F (Continued)

2. Directed the Director of Health Services' Emergency Medical Services Agency to:
 - a. Evaluate the impact on access to hospital services in the County, as a result of Tenet Healthcare Corporation's proposal to seek buyers for 27 of its hospitals across the country, which include 14 in Los Angeles County, and report back to the Board within 90 days with a report that addresses:
 - 1) The emergency room closure restrictions in the Tenet purchase agreements;
 - 2) The potential impact of the Tenet divestiture plan on the County's indigent and emergency health care system, on the broader health care industry, and the communities served by each Tenet hospital; and
 - 3) An assessment of the additional hospitals with emergency rooms which are believed to be at substantial risk of sale or closure due to Senate Bill 1953 seismic upgrade requirements and skyrocketing operational costs, with an assessment of the potential additional impact, locally and regionally, on the availability of emergency and indigent care; this assessment should not name or enable the identification of individual hospitals but summarize the results by major geographic subdivisions such as Service Planning Areas; and recommend actions the County may take to mitigate the impact;
 - b. Meet with Tenet Healthcare Corporation to discuss its strategic plan and create an ongoing communication plan as Tenet Healthcare Corporation implements its plans to divest its 14 hospitals;
 - c. Contact the Orange County Emergency Medical Services Agency to collaborate, analyze and determine the impact of the Region;

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61-A, 61-D and 61-F (Continued)

3. Directed the Emergency Medical Services Commission to conduct a hearing or hearings on the subject of the Tenet divestiture plan, to be scheduled on an urgent basis, and invite representatives from Tenet Healthcare Corporation and other appropriate stakeholder groups to participate in the hearings;
4. Instructed the Director of Health Services to work with County Counsel to:
 - a. Consult with the State Attorney General to review the agreements associated with Tenet's purchase of Centinela, Daniel Freeman Memorial and Daniel Freeman Marina Hospitals, and other affected hospitals, and evaluate the terms of these agreements and the potential impact of Tenet's move to sell these facilities and;
 - b. Address the subsequent court ruling regarding Daniel Freeman Marina Hospital; and
 - c. Report back to the Board within two weeks with findings;
5. Directed the Chief Administrative Officer to work with Orange County's Chief Administrative Office to draft a joint letter for Los Angeles and Orange Counties' Boards of Supervisors signatures to request the State Legislature and the Governor to address the unfunded mandate of hospital seismic requirements (SB 1953); and
6. Instructed the Executive Officer of the Board to send a five-signature letter to the State Attorney General, informing him of the Board's concerns regarding the Tenet divestiture plan and requesting his participation in reviewing the Tenet plan and ensuring that all of Tenet's legal obligations to the people of California are met.

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Copies distributed:

Each Supervisor
Director, Emergency Medical Services Agency

Letters sent to:

Chairman, Emergency Medical Services Commission
California State Attorney General